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E.O. 12958: N/A
TAGS: ECON EFIN EINV PGOV PINR MX
SUBJECT: ANALYSTS GIVE CANDIDATES' PROPOSALS LOW MARKS

Ref: Mexico 1124

SUMMARY

¶1. (SBU) A group of forty prominent political and economic
experts brought together by a new Mexican think-tank
analyzed the three main presidential candidates' proposals
in a report called "Evaluate and Decide." The analysts
found candidates' proposals incomplete, with all failing to
identify financing sources or produce execution plans. The
report also ranked the three candidates based on the design,
feasibility, and implementation of their proposals. Leading
the overall ranking was Institutional Revolutionary Party
(PRI) Roberto Madrazo, followed closely by National Action
Party (PAN) candidate Felipe Calderon. Front-runner Andres
Manuel Lopez Obrador (AMLO) from the Party of the Democratic
Revolution (PRD) came in last. All three were on the low
end of the scoring scale. End summary.

ANALYSTS EVALUATE CANDIDATES' PLATFORMS

¶2. (SBU) The recently created Espinosa Yglesias Studies
Center recently brought together 40 experts from Mexican
universities and research centers to evaluate and compare
the three main candidates' platforms. This represents the
third such effort from civil society to provide an unbiased
assessment of candidates' proposals. The other two efforts
were Televisa's "Dialogues for Mexico" (reftel) and
Historian Enrique Krauze's website "Lupa Ciudadana." The
purpose of this exercise was to "rank" the candidates based
on their proposals, in order to help Mexicans evaluate their
choices. The project divided the proposals into five main
issues: rule of law, political, social, international and
economic. The experts were divided into five groups and
evaluated each of the issues based on the following
criteria: design, feasibility and implementation. Each of
the candidates were graded on a 0 (worst) to 5 (best) scale.

¶3. (SBU) Unsurprisingly, the findings revealed the proposals
lacking in detail and substance. Final grades ranged from
zero to two. Overall, Madrazo rated highest with 1.5,
followed by Calderon with 1.4, and AMLO with 0.9. In the
economic proposals, Calderon led the ranking with 2.5,
followed by Madrazo with 2.2, and AMLO with 1.3. Analysts
studied and compared the candidates' economic proposals on
monetary and fiscal policies, employment and infrastructure.

MONETARY POLICY

¶4. (SBU) Madrazo promised continuity of the current monetary
policy as it has been successful in bringing economic
stability. Calderon's intentions are ambiguous, stating
that the Bank of Mexico's priority should be controlling
inflation, but that it should also consider the exchange
rate and the impact of the monetary policy on economic
growth. AMLO has explicitly proposed modifying the Bank of
Mexico's objective to include economic and employment
growth. He proposed designating experts in a special
commission to reform monetary and financial laws. Analysts
were concerned about AMLO's proposal to modify the central
bank's mandate, commenting that this was risky and that any
changes could hurt one of the pillars of Mexican economic
stability. (Both AMLO and his economic advisor Ramirez de
la O have repeatedly promised continued macroeconomic
stability.)

AGREEMENT ON THE NEED FOR FISCAL REFORM

¶5. (SBU) All three candidates agreed to restructure the tax
system to make it simpler, reduce tax evasion, and increase
the taxpayer base. Madrazo acknowledged the government's
dependence on oil revenues, but failed to present a specific
proposal to increase tax collection. Calderon proposes a
flat income tax rate, which has been successfully applied in
some Eastern European countries. Despite Calderon's
promises to give tax exemptions to low-income families,
analysts believe the proposal is not politically feasible in

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Mexico where the income distribution is very unequal.
Calderon will have problems trying to pass it through a
divided Congress. Surprisingly, the analysts thought AMLO's
proposal to be the most feasible one, but the most naive as
well. He intends to raise tax collection and eliminate
evasion by simplifying the process and managing taxes more
efficiently. AMLO would not tax food and medicine, but has
said that richer people will pay more taxes.

A MORE FLEXIBLE JOB MARKET

¶6. (SBU) To create more jobs, Calderon has proposed more
flexible hours for workers, but has not explicitly mentioned
any labor reform. Madrazo said he would push for labor
reform, which was also deemed politically difficult by the
analysts. Former presidents Carlos Salinas and Ernesto
Zedillo failed to pass labor reforms despite the PRI's then
congressional majority. AMLO has promised to increase
minimum wages above the inflation, raising concerns about a
potential inflationary spiral.

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INFRASTRUCTURE PROJECTS WITH PUBLIC-PRIVATE CAPITAL
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¶7. (SBU) On infrastructure, the three candidates agreed on
the need for more investments in highways, railways,
airports, and ports to increase the country's
competitiveness. Madrazo didn't elaborate further on how he
would obtain financing. Calderon has mentioned tapping
private investment, capital markets, and institutional
investors (private pension funds), loans from international
organizations, federal, state, and municpal funding, and the
use of oil revenue surpluses. Lopez Obrador emphasizes the
promotion of public and private co-investment programs
similar to what he did in Mexico City.

COMMENT

¶8. (SBU) It is unfortunate, although not surprising, that
analysts still consider the candidates' proposals to be
lacking in detail. The candidates' very low scores are
somewhat more surprising, but not necessarily fair given the
nature of political campaigns, which tend to favor general
promises over substantive details. With little time left in
the campaign to expand on their proposals, we are likely to
see candidates focusing even more on their confrontational
and repetitive speeches, attentive only to their popularity
levels, which will be supported by massive expenditures on
advertising.
GARZA